



To: Chicago Transit Authority Board

From: Tom McKone, Acting CFO

Re: Financial Results for October 2015

Date: December 3, 2015

## I. Summary

CTA's financial results are slightly favorable for the month. The year to date is unfavorable to budget by \$2.2 million primarily due to the anticipated reduction in the State's free and reduced fare reimbursement.

Ridership was 47.7 million for the month and was 0.3 million less than budget. Ridership for the year to date was 435.0 million and was 4.9 million less than budget.

## II. Cash & Liquidity

The chart below highlights CTA's cash position at October 2015 compared to October 2014.

|                            | OCT<br>2015 | OCT<br>2014 | Increase<br>(Decrease) |
|----------------------------|-------------|-------------|------------------------|
| Unrestricted Cash          | \$ 179.7    | \$ 136.5    | \$ 43.2                |
| Damage Reserve             | 103.7       | 107.2       | \$ (3.5)               |
| Funds Owed by RTA          | 264.8       | 214.2       | \$ 50.6                |
| Trust Portfolio Assets     | 532.1       | 835.7       | \$ (303.6)             |
| Total Cash and Receivables | \$ 1,080.3  | \$ 1,293.6  | \$ (213.3)             |

CTA's total cash/receivables balance is equal to \$1.1 billion. Unrestricted cash was \$43.2 million more than the prior year primarily due to receipt of \$23 million in proceeds from the debt reserve substitution, increased focus on reducing the delay in the receipt of reimbursements for capital related payments and recent insurance settlements. The Damage Reserve is sufficiently funded and was \$3.5 million lower than last year reflecting payouts for settled claims. Funds owed by the RTA were approximately \$264.8 million which was \$50.6 million more than the prior year primarily due to a 5 month timing gap in State PTF (Public Transportation Funding). CTA continues to work closely with the RTA to monitor their receivable balance owed. Trust Portfolio Assets represents bond proceeds held in Trust for funding capital projects and making required debt service payments.

### III. Revenue

| Category            | Current Month |               |                            | Full Year  |             |                 |
|---------------------|---------------|---------------|----------------------------|------------|-------------|-----------------|
|                     | Actual        | Variance to   | Variance to                | Actual     | Variance to | Variance to     |
|                     | Oct-15        | Budget Oct-15 | Prior Year Oct15 vs. Oct14 | 2015       | Budget 2015 | Prior Year 2014 |
| Fare & Pass Revenue | \$ 52,286     | \$ (1,046)    | \$ (983)                   | \$ 494,521 | \$ (2,090)  | \$ 2,463        |

- Fare and pass revenue for October was unfavorable to budget and prior year by \$1.0 million. The average fare for the month was \$1.10 and was \$0.01 less than budget. Year-over-year fare and pass revenue decreased by 1.8% in October and is 2.0% lower than budget for the month. October 2015 had one less workday than October 2014 and bus cash fare collections were lower leading to the year-over-year decrease.
- Year to date fare and pass revenue was \$2.1 million less than budget but was \$2.5 million more than prior year. The average fare for the year to date was \$1.14 per ride and is on par with budget. The year to date revenue was negatively impacted by the coldest February ever in Chicago and was the third-snowiest February on record. A strong 3<sup>rd</sup> quarter has helped bring the year to date total closer to the budgeted level.

| Category             | Current Month |               |                            | Full Year |             |                 |
|----------------------|---------------|---------------|----------------------------|-----------|-------------|-----------------|
|                      | Actual        | Variance to   | Variance to                | Actual    | Variance to | Variance to     |
|                      | Oct-15        | Budget Oct-15 | Prior Year Oct15 vs. Oct14 | 2015      | Budget 2015 | Prior Year 2014 |
| Reduced Fare Subsidy | \$ 1,180      | \$ (1,180)    | \$ (2,323)                 | \$ 10,845 | \$ (12,757) | \$ (10,470)     |

- Reduced Fare Subsidy is \$1.2 million less than budget for the month and \$12.8 million less for the year to date due to the anticipated reduction in State funding for the free and reduced fare mandates. According to the July 2014 – June 2015 State budget and the proposed (but not yet approved) July 2015 – June 2016 State budget, we expect to receive approximately half of the originally budgeted amount in 2015.

| Category                         | Current Month |               |                            | Full Year |             |                 |
|----------------------------------|---------------|---------------|----------------------------|-----------|-------------|-----------------|
|                                  | Actual        | Variance to   | Variance to                | Actual    | Variance to | Variance to     |
|                                  | Oct-15        | Budget Oct-15 | Prior Year Oct15 vs. Oct14 | 2015      | Budget 2015 | Prior Year 2014 |
| Advertising, Charter, Concession | \$ 2,445      | \$ 43         | \$ 235                     | \$ 24,624 | \$ 89       | \$ 1,875        |

- Advertising, Charter and Concessions Revenue is slightly favorable to budget for the month. The increase over the prior year is due to higher special contract guarantees, concession contracts, and the annual increase in vehicle and platform advertising minimum guarantee.

| Category          | Current Month |               |                            | Full Year |             |                 |
|-------------------|---------------|---------------|----------------------------|-----------|-------------|-----------------|
|                   | Actual        | Variance to   | Variance to                | Actual    | Variance to | Variance to     |
|                   | Oct-15        | Budget Oct-15 | Prior Year Oct15 vs. Oct14 | 2015      | Budget 2015 | Prior Year 2014 |
| Investment income | \$ 121        | \$ 64         | \$ 36                      | \$ 1,298  | \$ 730      | \$ 787          |

- Investment income was higher than budget for the month and prior year. Improved cash forecasting and a better investment strategy through security selection has increased overall yield on the investment portfolio, which is expected to continue for the remainder of FY 2015.

| Category      | Current Month |               |                            | Full Year |             |                 |
|---------------|---------------|---------------|----------------------------|-----------|-------------|-----------------|
|               | Actual        | Variance to   | Variance to                | Actual    | Variance to | Variance to     |
|               | Oct-15        | Budget Oct-15 | Prior Year Oct15 vs. Oct14 | 2015      | Budget 2015 | Prior Year 2014 |
| Other Revenue | \$ 2,514      | \$ (620)      | \$ (97)                    | \$ 27,212 | \$ (67)     | \$ (3,692)      |

- Other Revenue was unfavorable to budget by \$0.6 million for the month due to lower non-capital grant revenue, which is anticipated to continue until the end of the year. This revenue is offset by an equal amount in the Other Expense category. For the year to date Other Revenue is slightly unfavorable to budget. The year to date is lower than prior year due to a one-time sale of property in 2014 and lower scrap metal prices this year.

| Category                       | Current Month |               |                            | Full Year  |             |                 |
|--------------------------------|---------------|---------------|----------------------------|------------|-------------|-----------------|
|                                | Actual        | Variance to   | Variance to                | Actual     | Variance to | Variance to     |
|                                | Oct-15        | Budget Oct-15 | Prior Year Oct15 vs. Oct14 | 2015       | Budget 2015 | Prior Year 2014 |
| Total System Generated Revenue | \$ 60,547     | \$ (2,739)    | \$ (3,132)                 | \$ 560,501 | \$ (14,094) | \$ (9,038)      |

- Total System-Generated Revenue was \$2.7 million and \$14.1 million less than budget for the month and year primarily due to the anticipated reduction in the State's free and reduced fare subsidy. The year to date system-generated revenue is \$9.0 million less than prior year primarily due to this reduction and additional one-time revenues in 2014, including the sale of property and higher non-capital grant revenues.

#### IV. Expenses

| Category | Current Month |               |                            | Full Year  |             |                 |
|----------|---------------|---------------|----------------------------|------------|-------------|-----------------|
|          | Actual        | Variance to   | Variance to                | Actual     | Variance to | Variance to     |
|          | Oct-15        | Budget Oct-15 | Prior Year Oct15 vs. Oct14 | 2015       | Budget 2015 | Prior Year 2014 |
| Labor    | \$ 88,024     | \$ (139)      | \$ (3,979)                 | \$ 828,507 | \$ 10,274   | \$ (26,390)     |

- Labor expense was \$0.1 million unfavorable to budget for the month and within 0.2% of budget. This trend is anticipated in the forecast for 2015 expenses and the agency continues to manage labor expenses closely. Labor expense is \$26.4 million unfavorable to 2014 due to contractual wage rate increases, increased investments in safety oversight and facilities maintenance, and an increase in rail service in 2015.

| Category | Current Month |               |                            | Full Year |             |                 |
|----------|---------------|---------------|----------------------------|-----------|-------------|-----------------|
|          | Actual        | Variance to   | Variance to                | Actual    | Variance to | Variance to     |
|          | Oct-15        | Budget Oct-15 | Prior Year Oct15 vs. Oct14 | 2015      | Budget 2015 | Prior Year 2014 |
| Material | \$ 6,356      | \$ 321        | \$ 639                     | \$ 69,142 | \$ (7,511)  | \$ (7,657)      |

- Material expense was favorable to budget for the month by \$0.3 million. The favorable variance for the month is partly due to an inventory credit and favorable rail material expenses. An unfavorable monthly variance is expected for the remainder of 2015. The unfavorable variance to budget for the year is partially due to the severe weather in February. The unfavorable variance to prior year is additionally attributed to a reclassification of certain expenses from the Other Expenses category into the Materials category.

| Category | Current Month |               |                            | Full Year |             |                 |
|----------|---------------|---------------|----------------------------|-----------|-------------|-----------------|
|          | Actual        | Variance to   | Variance to                | Actual    | Variance to | Variance to     |
|          | Oct-15        | Budget Oct-15 | Prior Year Oct15 vs. Oct14 | 2015      | Budget 2015 | Prior Year 2014 |
| Fuel     | \$ 4,116      | \$ 687        | \$ 1,645                   | \$ 42,125 | \$ 4,445    | \$ 5,752        |

- Fuel for Revenue Equipment expense was \$0.7 million favorable to budget for the month due to lower usage than budgeted. Fuel is conservatively budgeted in 2015 to account for additional shuttles or other service that occurs throughout the year as a result of capital projects or other impacts. The positive variance is expected to continue through the end of the year. Fuel expense is \$5.8 million favorable to prior year to date due to lower usage and price.

| Category | Current Month |               |                            | Full Year |             |                 |
|----------|---------------|---------------|----------------------------|-----------|-------------|-----------------|
|          | Actual        | Variance to   | Variance to                | Actual    | Variance to | Variance to     |
|          | Oct-15        | Budget Oct-15 | Prior Year Oct15 vs. Oct14 | 2015      | Budget 2015 | Prior Year 2014 |
| Power    | \$ 2,403      | \$ 4          | \$ 46                      | \$ 24,478 | \$ 777      | \$ 3,944        |

- The Electric Power for Revenue Equipment expense is on par with budget for the month and expected to remain within budget for the year with occasional monthly fluctuations. Year to date power expense is \$3.9 million lower than 2014 due to the impact of the polar vortex in 2014, which required a higher volume of power consumption, and higher prices in 2014.

| Category                      | Current Month |               |                            | Full Year |             |                 |
|-------------------------------|---------------|---------------|----------------------------|-----------|-------------|-----------------|
|                               | Actual        | Variance to   | Variance to                | Actual    | Variance to | Variance to     |
|                               | Oct-15        | Budget Oct-15 | Prior Year Oct15 vs. Oct14 | 2015      | Budget 2015 | Prior Year 2014 |
| Purchase of Security Services | \$ 1,201      | \$ 1          | \$ 46                      | \$ 11,943 | \$ 79       | \$ (843)        |

- Purchase of Security Services was on par with budget for the month and slightly favorable for the year to date. Security expense was \$0.9 million higher than 2014 primarily due to a one-time 2014 reclassification of charges eligible for grant reimbursement.

| Category       | Current Month |               |                            | Full Year  |             |                 |
|----------------|---------------|---------------|----------------------------|------------|-------------|-----------------|
|                | Actual        | Variance to   | Variance to                | Actual     | Variance to | Variance to     |
|                | Oct-15        | Budget Oct-15 | Prior Year Oct15 vs. Oct14 | 2015       | Budget 2015 | Prior Year 2014 |
| Other Expenses | \$ 17,798     | \$ 2,004      | \$ 2,794                   | \$ 214,720 | \$ 3,821    | \$ (15,780)     |

- Other Expenses were \$2.0 million favorable to budget for the month due to invoice timing differences and lower non-capital grant expense than anticipated. These expenses are offset by non-capital grant revenue for a neutral overall impact on the budget. Overall contractual and other expenses are trending positive to budget as anticipated with timing of the expenses creating monthly variability. Year to date other expenses were within 1.7% of the 2015 budget and \$15.8 million higher than 2014 due to the timing of contractual expenses and one-time credits received in 2014. Of the total monthly other expenses, the pension obligation bond expense is \$10 million; the remaining expenses are for utilities, maintenance contracts, services, and other expenses.

| Category                 | Current Month |                  |                               | Full Year    |                |                    |
|--------------------------|---------------|------------------|-------------------------------|--------------|----------------|--------------------|
|                          | Actual        | Variance to      | Variance to                   | Actual       | Variance to    | Variance to        |
|                          | Oct-15        | Budget<br>Oct-15 | Prior Year<br>Oct15 vs. Oct14 | 2015         | Budget<br>2015 | Prior Year<br>2014 |
| Total Operating Expenses | \$ 119,898    | \$ 2,878         | \$ 1,190                      | \$ 1,190,915 | \$ 11,884      | \$ (40,974)        |

- Total Operating Expenses were \$2.9 million less than budget for the month and \$1.2 million less than prior year. The favorable year to date variance to budget of \$11.9 million is due primarily to favorable labor, fuel and power expenses which offset unfavorable material expense.

## V. Recovery Ratio

| Category       | Current Month |                  |                               | Full Year |                |                    |
|----------------|---------------|------------------|-------------------------------|-----------|----------------|--------------------|
|                | Actual        | Variance to      | Variance to                   | Actual    | Variance to    | Variance to        |
|                | Oct-15        | Budget<br>Oct-15 | Prior Year<br>Oct15 vs. Oct14 | 2015      | Budget<br>2015 | Prior Year<br>2014 |
| Recovery Ratio | 60.34%        | (0.95)           |                               | 56.45%    | (0.82)         |                    |

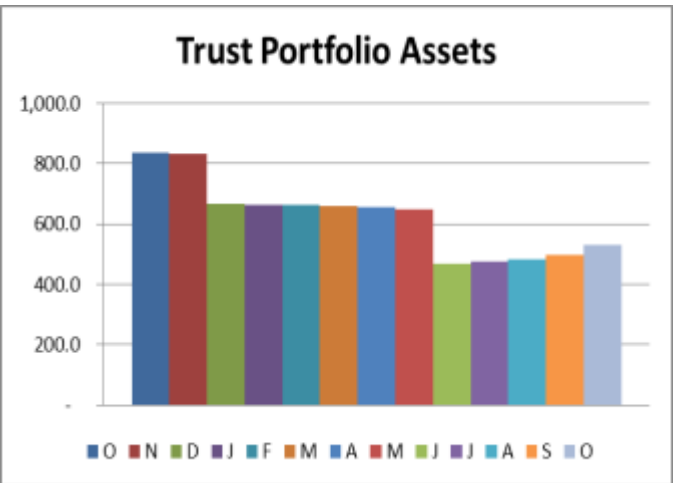
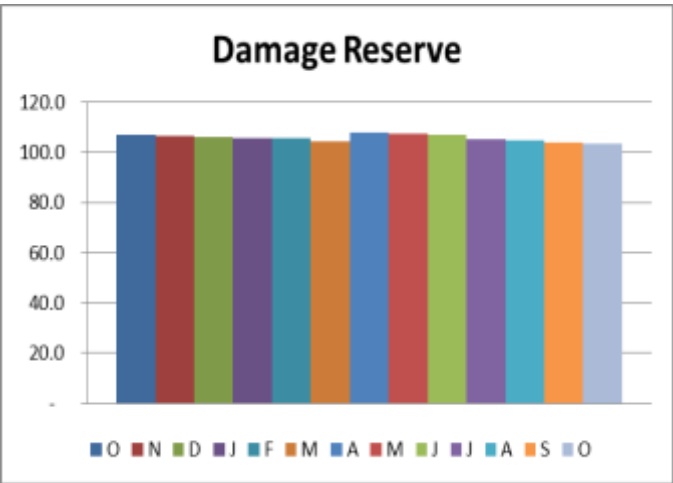
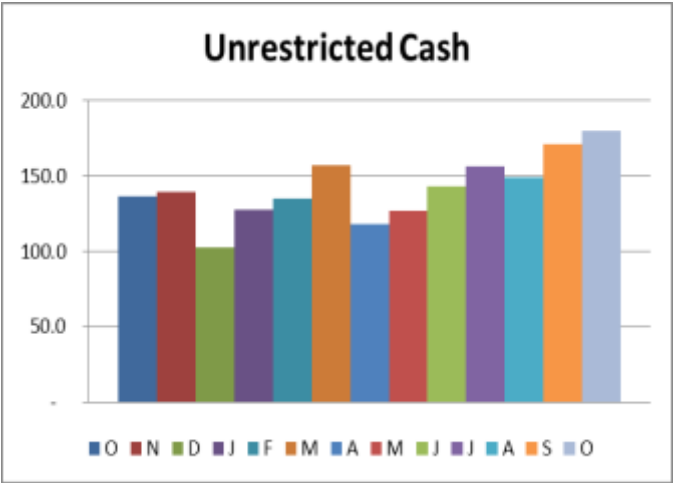
- Recovery Ratio, which measures the percentage of operating expenses CTA funds from internally generated revenues, was 60.34% for the month. This was unfavorable to budget by 0.95 percentage points due to lower system generated revenues resulting from the lower reduced fare reimbursement. For the year to date the recovery ratio is 56.45%.

## VI. Ridership

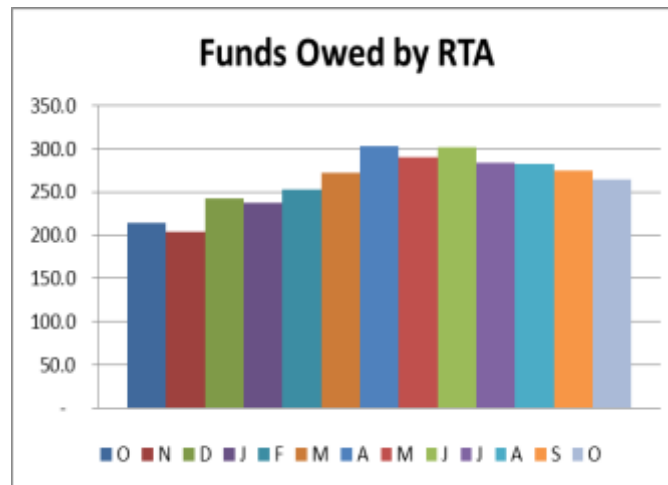
| Category               | Current Month |                  |                               | Full Year |                |                    |
|------------------------|---------------|------------------|-------------------------------|-----------|----------------|--------------------|
|                        | Actual        | Variance to      | Variance to                   | Actual    | Variance to    | Variance to        |
|                        | Oct-15        | Budget<br>Oct-15 | Prior Year<br>Oct15 vs. Oct14 | 2015      | Budget<br>2015 | Prior Year<br>2014 |
| Bus                    | 25,048        | (413)            | (590)                         | 231,290   | (3,835)        | (1,397)            |
| Rail                   | 18,633        | 157              | 221                           | 166,831   | (534)          | 2,321              |
| Rail to Rail Transfers | 4,031         | (42)             | (1)                           | 36,873    | (496)          | 409                |
| Total                  | 47,712        | (298)            | (370)                         | 434,994   | (4,865)        | 1,333              |

- Ridership for the month of October was 47.7 million and was 0.3 million less than budget and 0.4 million less than prior year. Calendar adjusted ridership was up 0.7% from prior year.
- Ridership for the year to date was 435.0 million and was 4.9 million less than budget but was 1.3 million more than the prior year to date. Calendar adjusted ridership was up 0.5% from the prior year to date.
- More details on ridership can be found in the October Ridership Report.

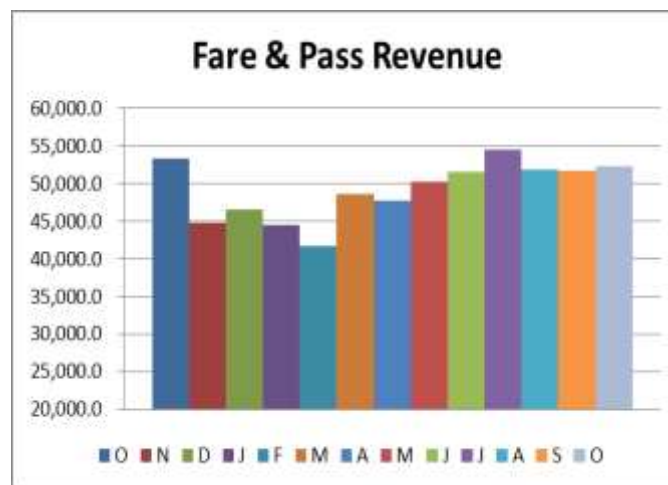
Cash & Liquidity



## Cash & Liquidity (cont'd)

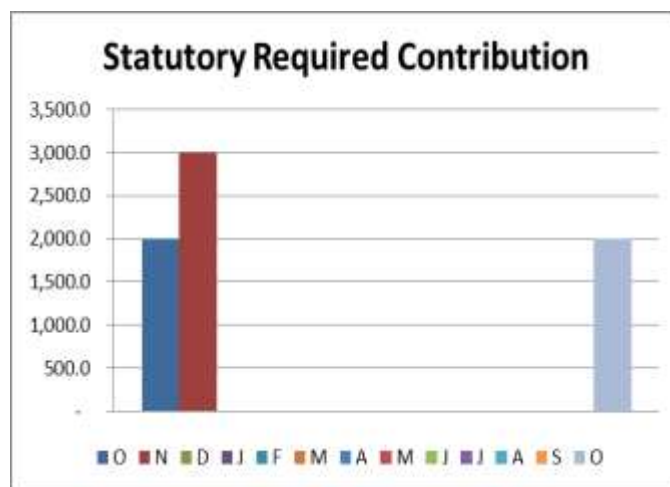
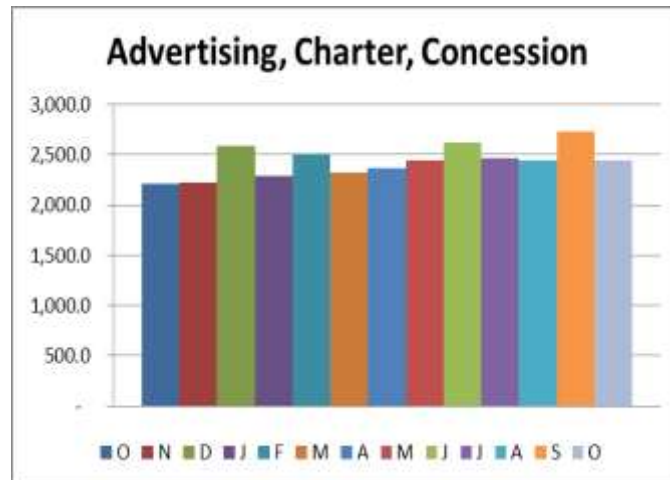
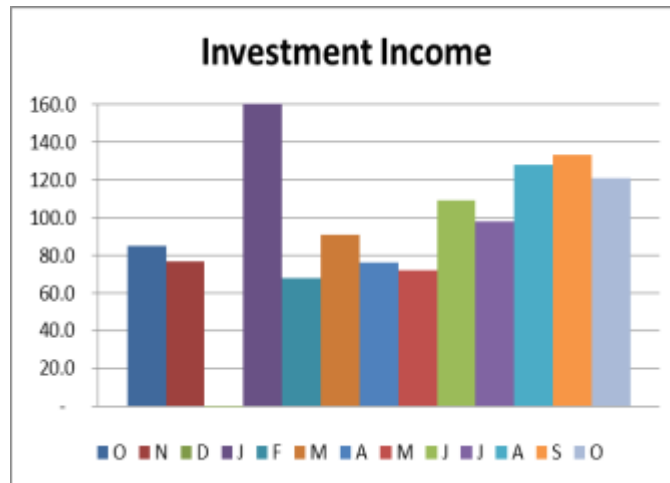


## Revenue

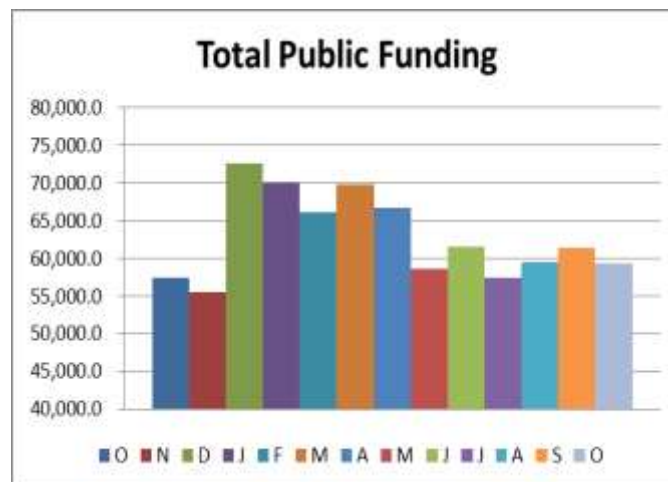
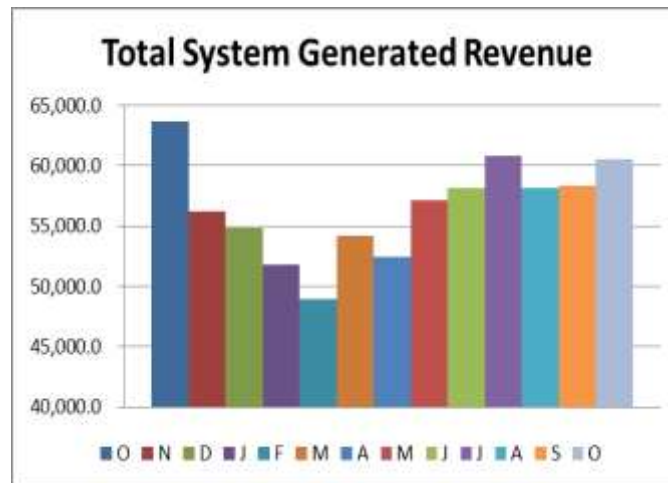
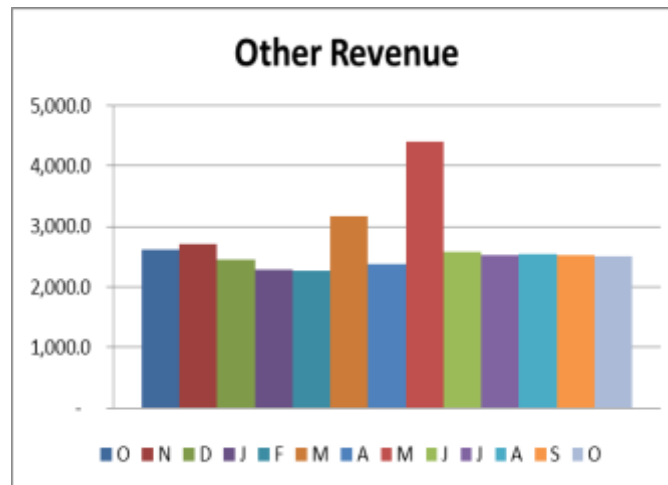




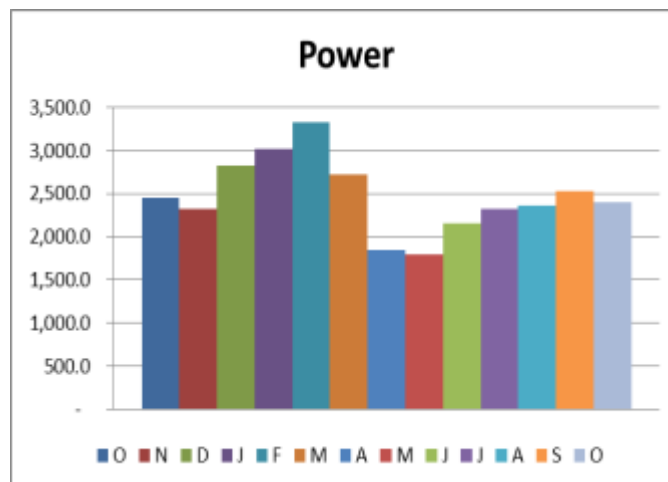
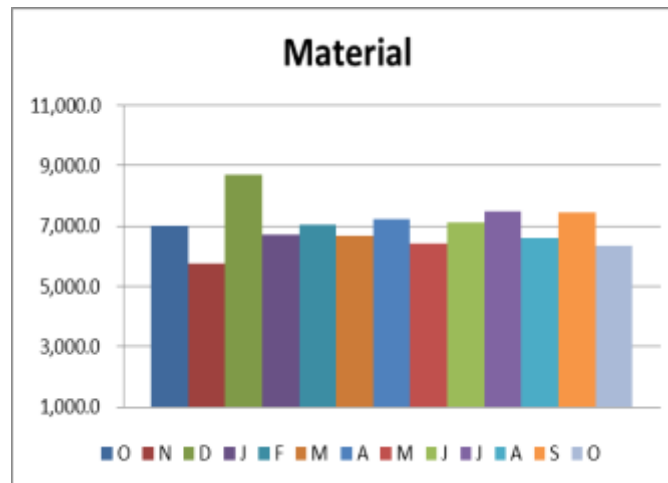
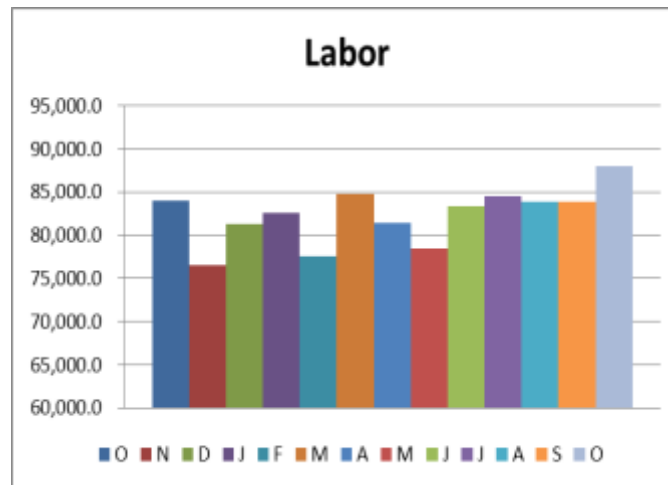
## Revenue (cont'd)



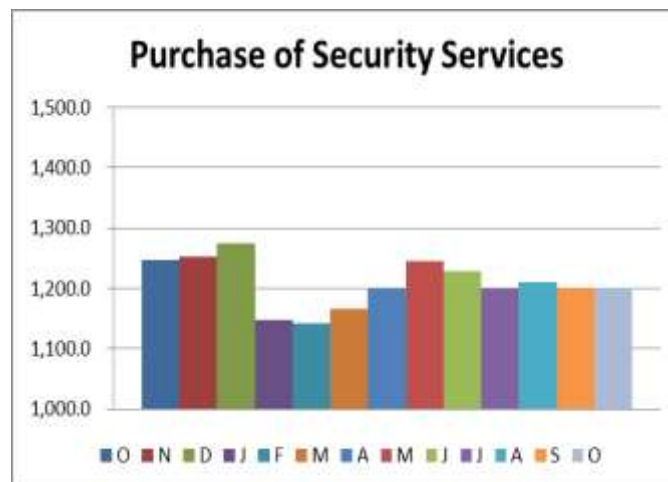
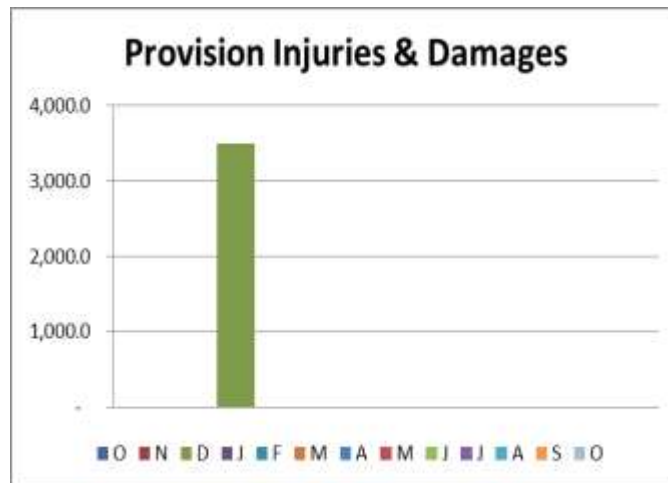
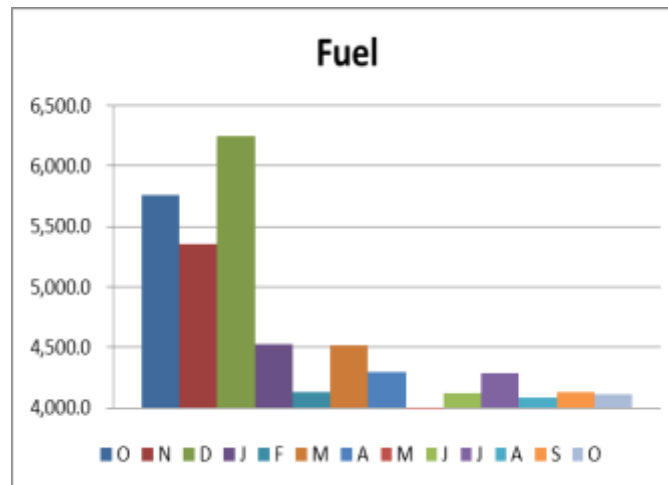
## Revenue (cont'd)



## Expenses



## Expenses (cont'd)



## Expenses (cont'd)

